

AMENDED IN SENATE JANUARY 12, 2010

AMENDED IN SENATE JUNE 1, 2009

AMENDED IN SENATE APRIL 20, 2009

SENATE BILL

No. 503

Introduced by Senator Kehoe

February 26, 2009

An act to add Section 16794 to the Government Code, relating to general obligation bonds.

LEGISLATIVE COUNSEL'S DIGEST

SB 503, as amended, Kehoe. State General Obligation Bond Law: audits.

The State General Obligation Bond Law sets forth the procedures for the issuance and sale of bonds governed by its provisions and for the disbursement of the proceeds of the sale of those bonds. Existing law provides for various oversight and reporting requirements for the expenditure of state funds, including the proceeds of bonds.

This bill would require the Controller, ~~on or before April 30, 2010, and on or before April 30, annually thereafter, to choose~~ *select* one or more bond projects funded from certain bond acts *by any state general obligation bond act approved on or after January 1, 2010*, to be the subject of an audit to be conducted as specified. The Controller would be required annually to assign up to ~~3~~ 5 auditor positions to conduct these audits. The Controller would be authorized to examine any record of any agency, contractor, and other specified parties that relates to the use of bond proceeds and would be required, by April 30 of each year, to prepare an audit plan for the following fiscal year. *The bill would require an entity that is to be audited, prior to contracting with the*

Controller for an audit, to determine that it is able to pay the estimated cost of conducting the audit from the proceeds of bonds for administrative purposes for that project. The bill would prohibit the Controller from conducting the audit if those proceeds are not available.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 16794 is added to the Government Code,
2 to read:
3 16794. (a) ~~On or before April 30, 2010, and on or before April~~
4 ~~30, annually thereafter, the Controller shall choose one or more~~
5 ~~projects funded from one, or more, of the following bond acts to~~
6 ~~be the subject of an audit or audits pursuant to this section, in~~
7 ~~accordance with the audit plan specified in subdivision (f):~~
8 ~~(1) The Highway Safety, Traffic Reduction, Air Quality, and~~
9 ~~Port Security Bond Act of 2006 (Chapter 12.49 (commencing with~~
10 ~~Section 8879.20) of Division 1).~~
11 ~~(2) The Housing and Emergency Shelter Trust Fund Act of 2006~~
12 ~~(Part 12 (commencing with Section 53540) of Division 31 of the~~
13 ~~Health and Safety Code).~~
14 ~~(3) The Kindergarten-University Public Education Facilities~~
15 ~~Bond Act of 2006 (Part 69 (commencing with Section 101000) of~~
16 ~~the Education Code).~~
17 ~~(4) The Disaster Preparedness and Flood Prevention Bond Act~~
18 ~~of 2006 (Chapter 1.699 (commencing with Section 5096.800) of~~
19 ~~Division 5 of the Public Resources Code).~~
20 ~~(5) The Safe Drinking Water, Water Quality and Supply, Flood~~
21 ~~Control, River and Coastal Protection Bond Act of 2006 (Division~~
22 ~~43 (commencing with Section 75001) of the Public Resources~~
23 ~~Code).~~
24 *(a) The Controller shall select one or more projects funded by*
25 *any state general obligation bond act approved by the voters on*
26 *or after January 1, 2010, to be subject to an audit or audits*
27 *pursuant to this section, in accordance with the audit plan specified*
28 *in subdivision (f).*
29 (b) When conducting an audit pursuant to this section, the
30 Controller shall audit the bond project in order to ensure that the
31 project is implemented in an efficient, cost-effective, and timely

way and that bond proceeds are spent in a manner that is legal and consistent with the provisions of the authorizing measures. Based on these audits, the Controller shall make recommendations to the Legislature and responsible departments and agencies about how to improve implementation of bond projects.

(c) For the purpose of conducting an audit under this section, the Controller shall be given access to, and is authorized to examine, any record of any agency, contractor, subcontractor, vendor, or other individual or entity receiving, directly or indirectly, bond proceeds if the record is related to the use of those proceeds. For this purpose, the Controller has the same authority to access records, and be subject to the same provisions on disclosure of records, as provided for the State Auditor in Article 1 (commencing with Section 8543) of Chapter 6.5 of Division 1.

(d) The department or agency responsible for the project being audited shall reimburse the Controller for the actual cost of conducting the audit from the proceeds of bonds allocated for administrative purposes for that project. *Prior to contracting with the Controller to conduct any audit, the entity responsible for the project to be audited shall determine that it is able to pay the estimated cost of conducting the audit from the proceeds of bonds for administrative purposes for that project. If the entity is unable to pay the estimated cost of conducting the audit from the proceeds of bonds for administrative purposes for that project, the Controller shall not conduct the audit.* To cover the cost of each audit, the Controller shall use only those funds allocated for the particular project being audited and not funds allocated for any other project.

(e) Any audit conducted by the Controller pertaining to Chapter 1.699 (commencing with Section 5096.800) and Division 43 (commencing with Section 75001) of the Public Resources Code shall complement, and not replace, the independent audits specified by Sections 5096.953 and 75078 of the Public Resources Code. To eliminate audit duplication and streamline the audit process, the agencies authorized to conduct independent audits under these provisions shall first consider contracting with the Controller to conduct any independent audit. Funding for an audit authorized by Section 75078 of the Public Resources Code shall be subject to the administrative cost share limitation specified in Section 75070.5 of the Public Resources Code.

- 1 (f) The Controller shall, by April 30 of each year, prepare an
2 audit plan for the following fiscal year specifying the projects that
3 will be subject to an audit pursuant to this section, the responsible
4 departments or agencies to be audited, and an estimated completion
5 date of the audits. The Controller shall annually assign up to ~~three~~
6 *five* auditor positions to conduct the audits specified by this section.
7 If the audit plan identifies a need for additional auditors, the
8 Controller may request funding in the annual Budget Bill for
9 additional auditors.
- 10 (g) It is the intent of the Legislature that the savings to the state
11 from implementing recommendations made as a result of audits
12 required by this section fully offset the cost of conducting the
13 audits.